

STATE OF TENNESSEE

Office of the Attorney General



PAUL G. SUMMERS
ATTORNEY GENERAL AND REPORTER

MAILING ADDRESS

P.O. BOX 20207
NASHVILLE, TN 37202

ANDY D. BENNETT
CHIEF DEPUTY ATTORNEY GENERAL

LUCY HONEY HAYNES
ASSOCIATE CHIEF DEPUTY
ATTORNEY GENERAL

MICHAEL E. MOORE
SOLICITOR GENERAL

CORDELL HULL AND JOHN SEVIER
STATE OFFICE BUILDINGS

TELEPHONE 615-741-3491
FACSIMILE 615-741-2009

Reply to:
Consumer Advocate and Protection Division
Post Office Box 20207
Nashville, TN 37202

September 15, 2003

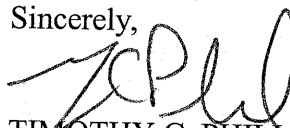
Honorable Deborah Taylor Tate
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

IN RE: APPLICATION OF NASHVILLE GAS COMPANY, A DIVISION OF
PIEDMONT NATURAL GAS COMPANY, INC., FOR AN ADJUSTMENT OF ITS
RATES AND CHARGES, THE APPROVAL OF REVISED TARIFFS AND
APPROVAL OF REVISED SERVICE REGULATIONS, DOCKET NO. 03-00313

Dear Chairman Tate:

Enclosed is an original and thirteen copies of the Consumer Advocate and Protection Division's Responses to TRA Data Requests Dated September 11, 2003. Kindly file same in this tariff. Copies are being sent to all parties of record. If you have any questions, kindly contact me at (615) 741-3533. Thank you.

Sincerely,


TIMOTHY C. PHILLIPS
Assistant Attorney General

cc: All Parties of Record

#66649

RECEIVED
SEP 15 PM 4:21
TRA DOCKET ROOM

IN RE: APPLICATION OF NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND CHARGES, FOR APPROVAL OF REVISED TARIFFS AND APPROVAL OF REVISED SERVICE REGULATIONS.

DOCKET NO. 03-00313

RESPONSE TO TRA DATA REQUEST DATED SEPTEMBER 11, 2003

Rate Base

1. According to Item 8a of the Stipulation, the parties have settled on a Rate Base of \$259,859,927. Provide a schedule laying out the components of this Rate Base including Working Capital and Lead Lag results, in a format consistent with Exhibit CAPD, Schedules 2, 3, 4, and 5. Include in these schedules appropriate documentation showing the adjustments agreed to by the parties as described in Item 6 of the Stipulation.

RESPONSE: Copies of the requested schedules are attached.

Nashville Gas Company
Comparative Rate Base
For the 12 Months Ending October 31, 2004

Line No.		Settlement	Company ^{B/}	Difference
1	Utility Plant in Service	468,507,509	468,507,509	-
2	Construction Work in Progress	6,536,531	6,536,531	-
3	Working Capital	12,201,210 ^{A/}	15,819,156	(3,617,946)
4	Total Additions	<u>487,245,250</u>	<u>490,863,196</u>	<u>(3,617,946)</u>
5	Accumulated Depreciation	199,411,506	196,717,069	2,694,437 ^{C/}
6	Accumulated Deferred Income Taxes	23,313,096	23,313,096	-
7	Customer Advances for Construction	187,175	187,175	-
8	Contributions In Aid of Construction	4,473,546	4,473,546	-
9	Pre-1971 Unamortized Investment Tax Credit	-	-	-
10	Total Deductions	<u>227,385,323</u>	<u>224,690,886</u>	<u>2,694,437</u>
11	Rate Base	<u>259,859,927</u>	<u>266,172,310</u>	<u>(6,312,383)</u>

A/ Schedule 3, Line 13

B/ Company Forecast

C/ W/P DWM-2 and response to TRA Staff DR #127

Nashville Gas Company
Comparative Working Capital
For the 12 Months Ending October 31, 2004

Line No.		CAPD	Company	c/	Difference
1	Cash	16,131	16,131		-
2	Materials and Supplies	539,281	539,281		-
3	Gas Inventories	19,160,173 A/	23,857,915		(4,697,742)
4	Prepayments	1,000,306	1,000,306		-
5	Other Accounts Receivable	11,217	11,217		-
6	Total Additions	20,727,108	25,424,850		(4,697,742)
7	Unpaid Materials and Supplies	62,009	62,009		-
8	Unpaid CWIP	44,106	44,106		-
9	Customer Deposits	3,868,378	3,868,378		-
10	Other Liabilities	11,854	11,854		-
11	Lead-Lag Study	4,539,551 B/	5,619,347		(1,079,796)
12	Total Deductions	8,525,898	9,605,694		(1,079,796)
13	Working Capital	12,201,210	15,819,156		(3,617,946)

A/ NGC's revised response to pre-filed request #25, p. 107 (W/P MDC-1)

B/ Schedule 5, Line 7

C/ Company W/P WC-1

Nashville Gas Company
Working Capital Expense Lag
For the 12 Months Ending October 31, 2004

Line No.		Amount A/	Lag A/	Dollar Days
1	Salaries and Wages	17,721,485	11	194,936,334
2	Purchased Gas Expense	115,869,340	41	4,707,771,284
3	Odorant Cost	43,737	41	1,777,034
4	Uncollectible Accounts Expense	897,920	432	387,488,290
5	Pension Expense	574,016	1	591,236
6	Injuries and Damages	872,844	-	-
7	Employee Benefits - Insurance	2,846,474	7	19,099,841
8	Materials and Supplies	324,232	-	-
9	Transportation	927,497	6	5,518,607
10	Long Term Incentive Plan	545,089	867	472,690,279
11	Salary Investment Plan	490,125	11	5,268,844
12	SEBP - Salary Continuation	-	-	-
13	AGA Dues	81,460	33	2,695,511
14	Other Operation and Maintenance Exp.	9,817,210	7	68,327,785
15	Depreciation Expense	18,232,156	-	-
16	Taxes Other Than Income Taxes	8,938,625	169	1,512,594,123
17	Investment Tax Credit Amortization	(150,566)	-	-
18	Federal Income Tax - Current	3,960,092	38	150,483,507
19	Federal Income Tax - Deferred	2,804,796	-	-
20	State Income Tax - Current	1,199,864	61	72,891,738
21	State Income Tax - Deferred	150,180	-	-
22	Interest Expense - Short-term Debt	77,958	(18)	(1,403,244)
23	Interest Expense - Long-term Debt	8,991,153	76	687,283,771
24	Common Equity	12,805,541	-	-
25	Total Cost of Service	<u>208,021,230</u>	<u>39.84</u>	<u>8,288,014,939</u>
26	Daily Cost of Service	<u>569,921</u>		

A/ Company workpapers as adjusted

Nashville Gas Company
Lead Lag Results
For the 12 Months Ending October 31, 2004

<u>Line No.</u>		<u>Amount</u>
1	Revenue Lag	<u>35.93</u> A/
2	Expense Lag	<u>39.84</u> B/
3	Net Lag	(3.91)
4	Daily Cost of Service	<u>569,921</u> C/
5	Operating Funds Advanced	(2,229,622)
6	Incidental Collections	<u>2,309,929</u> A/
7	Lead Lag Results	<u><u>(4,539,551)</u></u>

A/ Company Forecast

B/ Schedule 4, Line 25

C/ Schedule 4, Line 26

IN RE: APPLICATION OF NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND CHARGES, FOR APPROVAL OF REVISED TARIFFS AND APPROVAL OF REVISED SERVICE REGULATIONS.

DOCKET NO. 03-00313

RESPONSE TO TRA DATA REQUEST DATED SEPTEMBER 11, 2003

Operating Income

2. According to Item 8b of the Stipulation, the parties have settled on an operating income under current rates of \$15,602,432. Provide schedules laying out the details of this Operating Income in a format consistent with Exhibit CAPD, Schedules 7 & 8. Include in these schedules appropriate documentation showing all adjustments agreed to by the parties as described in Item 6 of the Stipulation.

RESPONSE: Copies of the requested schedules are attached. Please note that the net operating income on Schedule 7 does not tie to the net operating income in the Stipulation. The difference of \$5,553 is required in order to reach the settlement amount of \$10,300,000.

Nashville Gas Company
Income Statement at Proposed Rates
For the 12 Months Ending October 31, 2004

Line No.		Current Rates	A/	Adjustments	B/	Proposed Rates
1	Operating Revenues	<u>197,296,576</u>		<u>10,376,581</u>		<u>207,673,157</u>
2	Cost of Gas	115,869,340		-		115,869,340
3	Odorant Cost	43,737		-		43,737
4	Other Operations and Maintenance	34,819,202		47,047	C/	34,866,249
5	Interest on Customer Deposits	232,103		-		232,103
6	Depreciation and Amortization Expense	18,232,156		-		18,232,156
7	Taxes Other Than Income	8,938,625		-		8,938,625
8	State Excise Tax	678,624		671,420	C/	1,350,044
9	Federal Income Tax	<u>3,233,982</u>		<u>3,380,340</u>	C/	<u>6,614,322</u>
10	Total Operating Expense	182,047,770		4,098,807		186,146,577
11	AFUDC	<u>348,073</u>		-		<u>348,073</u>
12	Net Operating Income for Return	<u>15,596,879</u>		<u>6,277,774</u>		<u>21,874,653</u>

A/ Schedule 6a

B/ Operating revenues from rate adjustments
Forfeited Discounts caused by rate adjustments
Total

10,300,000
76,581
10,376,581

C/ Retention conversion factor effects (Sch. 11)

Nashville Gas Company
Operation and Maintenance Expenses
For the 12 Months Ending October 31, 2004

Line No.		Settlement	Company	B/	Difference
1	Salaries and Wages	12,857,249	12,857,249		-
2	Allocated Salaries & Wages	4,864,236	5,251,130		(386,894) C/
3	Long-Term Incentive Pay	545,089	545,089		-
4	LNG Operations	88,614	88,614		-
5	LNG Maintenance	58,719	58,719		-
6	Distribution - Operations	674,507	674,507		-
7	Distribution - CIE	422,100	422,100		-
8	Distribution - Maintenance	2,672,801	2,672,801		-
9	Distribution - Customer Acc.	1,146,149	1,146,149		-
10	GTI Funding	-	185,409		(185,409) D/
11	Customer Service	7,044	7,044		-
12	Sales Expense	183,347	183,347		-
13	Advertising Expense	466,783	466,783		-
14	Uncollectible Expense	850,872 A/	565,059		285,813
15	Pension Expense	574,016	660,272		(86,256) E/
16	Injuries and Damages	1,128,289	1,128,289		-
17	Employee Benefits - Insurance	3,533,794	3,455,804		77,990 F/
18	Employee Savings Plan	595,679	595,679		-
19	Other Employee Benefits	165,777	165,777		-
20	Property Insurance	89,936	89,936		-
21	A&G Office Supply Expense	1,925,015	1,925,015		-
22	Reg. Comm. Expense	80,502	80,502		-
23	Outside Services	1,801,693	1,850,021		(48,328) G/
24	Misc. General	1,866,031	2,018,069		(152,038)
25	Misc. Expense	8,680	8,680		-
26	Rents	34,642	34,642		-
27	Training	36,114	36,114		-
28	Transferred Credit	(1,858,476)	(1,858,476)		-
29	Corporate Office Allocation Adjust.	-	-		-
30	Total O&M Expense	<u>34,819,202</u>	<u>35,314,324</u>		<u>(495,122)</u>

A/ Uncollectible ratio x non-transportation revenues (0.004534 x 187,664,829)
See W/P DWM-1

B/ Company Forecast

C/ PF Item #25, p. 32 & #44, SW7, p7

D/ Exhibit MDC-4

E/ MHC PEN-1

F/ MHC AA-1

G/ MHC U-2

**IN RE: APPLICATION OF NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT
NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND
CHARGES, FOR APPROVAL OF REVISED TARIFFS AND APPROVAL OF REVISED
SERVICE REGULATIONS.**

DOCKET NO. 03-00313

RESPONSE TO TRA DATA REQUEST DATED SEPTEMBER 11, 2003

Operating Income

3. According to Footnote 1 of the Stipulation, the parties state that the TRA Staff has identified certain adjustments that are taken into account in the proposed \$10,300,000 increase in base rates. Provide a schedule documenting how these changes were taken into account in the calculation of Rate Base and Operating Income.

RESPONSE: The Consumer Advocate has reviewed the response to this request prepared by Nashville Gas and incorporates same subject to review of the filed response.

**IN RE: APPLICATION OF NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT
NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND
CHARGES, FOR APPROVAL OF REVISED TARIFFS AND APPROVAL OF REVISED
SERVICE REGULATIONS.**

DOCKET NO. 03-00313

RESPONSE TO TRA DATA REQUEST DATED SEPTEMBER 11, 2003

Operating Income

4. According to item 6 (j) of the Stipulation, the Company has eliminated the expense related to the short-term incentive plan (MVP). Have the parties also eliminated the effects of other similar employee incentive plans, such as the Long-Term Incentive plan, the IS Premium Skills Incentive Award, and the Gas Supply Incentive Compensation Program? Provide a calculation of the total amount of all employee incentive plans.

RESPONSE: The Consumer Advocate has reviewed the response to this request prepared by Nashville Gas and incorporates same subject to review of the filed response.

**IN RE: APPLICATION OF NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT
NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND
CHARGES, FOR APPROVAL OF REVISED TARIFFS AND APPROVAL OF REVISED
SERVICE REGULATIONS.**

DOCKET NO. 03-00313

RESPONSE TO TRA DATA REQUEST DATED SEPTEMBER 11, 2003

Rate Design

5. Refer to Schedule 1 of the Stipulation. Provide a calculation showing the base margin rates along with the attrition period determinants that produce the proposed revenue increase contained in the Stipulation, in the same format as Exhibit CAPD, Schedule 13, Pages 1 and 2.

RESPONSE: The Consumer Advocate has reviewed the response to this request prepared by Nashville Gas and incorporates same subject to review of the filed response.

**IN RE: APPLICATION OF NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT
NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND
CHARGES, FOR APPROVAL OF REVISED TARIFFS AND APPROVAL OF REVISED
SERVICE REGULATIONS.**

DOCKET NO. 03-00313

RESPONSE TO TRA DATA REQUEST DATED SEPTEMBER 11, 2003

Rate Design

6. Refer to Schedule 2 of the Stipulation. Provide a calculation of both the dollar and percentage impact on each rate schedule, within each rate class, for the fixed cost reallocation included in the parties proposed Stipulation.

RESPONSE: The Consumer Advocate has reviewed the response to this request prepared by Nashville Gas and incorporates same subject to review of the filed response.

IN RE: APPLICATION OF NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND CHARGES, FOR APPROVAL OF REVISED TARIFFS AND APPROVAL OF REVISED SERVICE REGULATIONS.

DOCKET NO. 03-00313

RESPONSE TO TRA DATA REQUEST DATED SEPTEMBER 11, 2003

Rate Design

7. Refer to Schedule 3 of the Stipulation.

a. Provide a copy of the Company's weather normalization calculation that supports each of these WNA components.

RESPONSE: The Consumer Advocate has reviewed the response to this request prepared by Nashville Gas and incorporates same subject to review of the filed response.

IN RE: APPLICATION OF NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF ITS RATES AND CHARGES, FOR APPROVAL OF REVISED TARIFFS AND APPROVAL OF REVISED SERVICE REGULATIONS.

DOCKET NO. 03-00313

RESPONSE TO TRA DATA REQUEST DATED SEPTEMBER 11, 2003

Capital Structure, Cost of Capital, Rate of Return

8. Refer to Stipulation 6 on Page 2. Provide capital structure, the embedded cost of debt, return on equity, and the overall cost of capital proposed by each party during the settlement negotiations.

RESPONSE: Given the sensitivities of the parties' settlement discussions and the chilling effect possible from this type of probe, the Consumer Advocate respectfully objects to exposure of information considered or conveyed during our settlement discussions.

The rate base agreed upon in the Stipulation filed on September 9, 2003 may be derived through the use of the attached exhibit "Revised Schedule 12".

Nashville Gas Company
Cost of Capital
For the 12 Months Ending October 31, 2004

Line No.		Ratio	Cost	Weighted Cost
1	Short Term Debt	1.74%	1.47%	0.03%
2	Long Term Debt	44.81%	7.72%	3.46%
3	Stockholder's Equity	<u>53.45%</u>	9.22%	<u>4.93%</u>
4	Total	<u>100.00%</u>		<u>8.42%</u>